

INFOFINANCE 1995

The European Development Fund

The European Development Fund (EDF) is the main financing instrument of the Lomé Convention, and provides grants for aid programmes for the 70 African, Caribbean and Pacific countries that are signatories to this Convention and which are associated, in this capacity, with the European Union. EDF funds are made up of ad hoc contributions by the Member States and are not included in the Union budget. A separate EDF is as a rule constituted for the implementation of each of the Conventions: the 5th EDF for Lomé II, the 6th EDF for Lomé III and the 7th EDF for the first five years of application of Lomé IV, which will have two Funds (7th and 8th EDF). Its operations are governed by five-year programmes of priority needs focused mainly on areas such as training, self-sufficiency in food, infrastructure, industrial investments...

As the implementation cycle of an EDF lasts longer than the five-year period of the relevant convention, the Commission is concurrently managing several EDFs, which have reached different levels of maturity. The 1995 year, as well as the 1996 exercise, are years which mark a transition period in the life of the EDF in that:

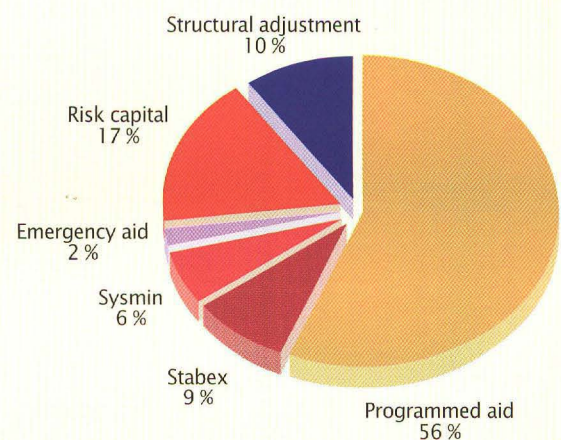
- the 6th EDF is in the process of terminating (95% of its initial allocation has been consumed);
- the 7th EDF has entered the declining curb of its life cycle;
- the 8th EDF will only enter into force in 1997 when it has been ratified.

In the same manner, Structural Adjustment and Stabex, two instruments of rapid disbursement, have almost consumed their allocation for the 7th EDF, having reached 91% and 95% respectively; as for emergency aid and aid to refugees, already consumed, these two financial instruments will finance their 1996 operations from the General Community Budget pending the entry into force of the 8th EDF. It should be noted that the 1995 exercise was marked by a falling off in overall volumes at the level of decisions taken as well as at that of disbursements made. The prevailing political and economical climate in certain ACP countries such as Sudan, Somalia, Nigeria, Angola, Rwanda, Burundi, Zaire, Liberia, Sierra Leone..., can explain this slowing down. Other inflexibilities, linked to the actual nature of Community aid, can also be advanced as a reason for this slowing down; the agreement modifying the Lomé IV Convention for the next five years is aimed at rectifying these.

Annual Breakdown of Aid by Instrument (ACP and OCT)¹

Amount in MECU Instruments	1995			1994			1993		
	Decisions ²	Contracts ³	Payments	Decisions ²	Contracts ³	Payments	Decisions ²	Contracts ³	Payments
Programmed aid	828,58	816,78	740,02	1041,94	863,73	823,34	1014,39	786,84	729,05
Structural adjustment	145,50	164,02	232,63	222,35	185,69	258,50	378,0	421,23	302,06
Risk capital	256,82	273,33	123,87	214,43	99,43	82,95	53,65	42,63	108,34
Interest rebates	35,53	52,60	25,20	53,85	47,76	19,50	21,51	16,79	27,97
Emergency aid	33,68	72,39	107,30	249,98	241,21	198,27	83,15	64,36	42,98
Aid for refugees	4,40	11,22	12,28	25,61	18,24	22,99	29,30	25,00	23,00
Sysmin	84,49	27,00	19,12	57,25	28,54	24,93	50,03	73,59	86,83
Stabex	131,09	178,37	303,26	615,12	486,43	350,83	1,17	31,62	33,12
TOTAL	1520,09	1595,71	1563,68	2480,53	1971,03	1781,31	1631,20	1462,06	1353,34

Percentage of Decisions by Instrument in 1995



¹ACP: The countries of Africa, the Caribbean and the Pacific that are signatories to the Lomé Convention.

OCT: The overseas countries and the territories included in the agreement of association.

²Decisions taken by the Commission in favour of development actions approved by the EDF Committee (except for projects smaller than 2 MECU). The simultaneous management of several EDFs, as well as the gap in time between the original decision and the subsequent contracts, account for the variances in the annual totals for contracts and payments.

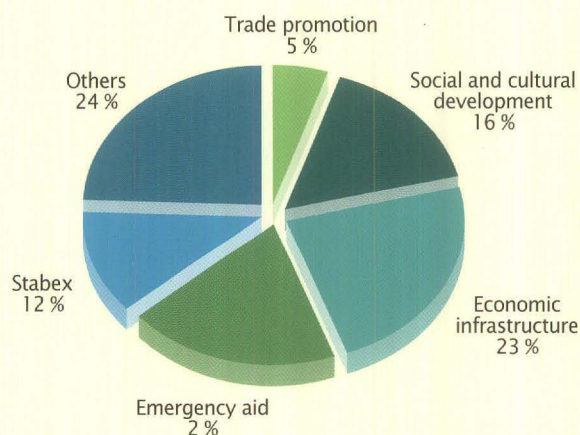
³The contracts reflect the implementation of the financing decisions in terms to contracts for works, supplies and services, work programmes and direct labour.

Annual Breakdown of Aid by Sector (ACP and OCT)

In MECU

Amount in MECU Sectors	1995			1994			1993		
	Decisions	Contracts	Payments	Dec.	Contr.	Pay.	Dec.	Contr.	Pay.
Trade promotion	57,64	37,76	36,93	36,01	46,06	37,91	85,05	69,14	29,70
Social and cultural development	163,77	171,01	124,06	155,37	194,78	128,75	340,89	120,38	99,95
- Education and training	40,67	62,28	49,99	103,79	73,58	50,60	94,24	40,10	35,18
- Water engineering environment	65,79	71,73	45,74	37,63	78,74	38,27	130,03	34,63	37,27
- Health	57,30	37,00	28,33	13,95	42,46	39,88	116,62	45,65	27,50
Economic Infrastructure	236,77	275,95	167,88	325,46	136,05	187,36	181,71	191,35	189,31
- Transport and communication	236,77	275,95	167,88	325,46	136,05	187,36	181,71	191,35	189,31
Rural development	471,21	517,81	548,11	591,30	601,35	678,61	819,36	811,80	813,43
- Rural production	93,35	136,74	209,23	170,17	212,84	277,60	227,92	260,09	286,63
- Industrialisation	286,34	286,13	164,45	269,50	206,52	133,36	142,67	74,85	158,73
Thematic actions ⁴	91,52	94,93	174,44	151,64	181,92	267,64	448,86	476,86	368,07
Emergency aid, Stabex	334,25	383,09	477,60	1116,20	789,71	598,60	141,65	145,82	118,56
- Rehabilitation	160,95	112,87	46,75	221,29	28,95	10,11	-0,07	3,38	1,20
- Disasters	33,74	72,39	108,00	250,31	242,59	211,89	110,09	99,55	67,89
- AIDS	9,63	2,19	2,82	3,75	2,30	2,61	1,70	0,54	3,87
- Refugees and returnees	-1,17	17,24	16,73	25,67	29,41	23,12	25,64	10,01	12,49
- Stabex	131,10	178,40	303,30	615,17	486,48	350,87	4,28	32,34	33,10
Others ⁵	256,45	210,09	209,10	252,20	203,08	150,01	62,54	123,57	102,39
TOTAL ACP and OCT	1520,09	1595,71	1563,68	2480,53	1971,03	1781,31	1631,20	1462,06	1353,34

Percentage of Decisions by Sector in 1995



⁴Thematic actions: Desertification and drought, disease and epidemics, hygiene and basic health, livestock disease, research for economic forms of energy, long-term actions, sectoral import programmes, structural adjustment on past national indicative programmes.

⁵Others: Information and documentation, symposiums, general technical cooperation and studies, multi-sectoral programmes, financial and administrative expenditure, delegations, improvements to public buildings.

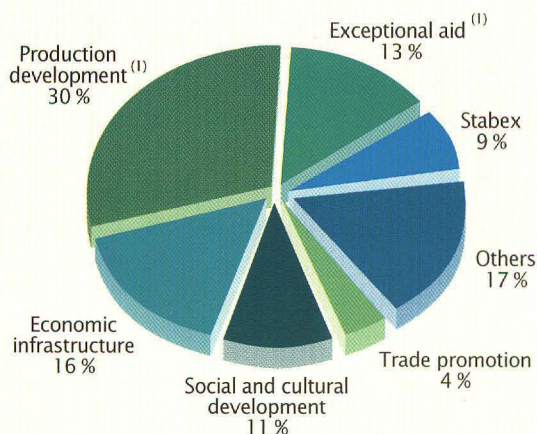


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Corrigendum

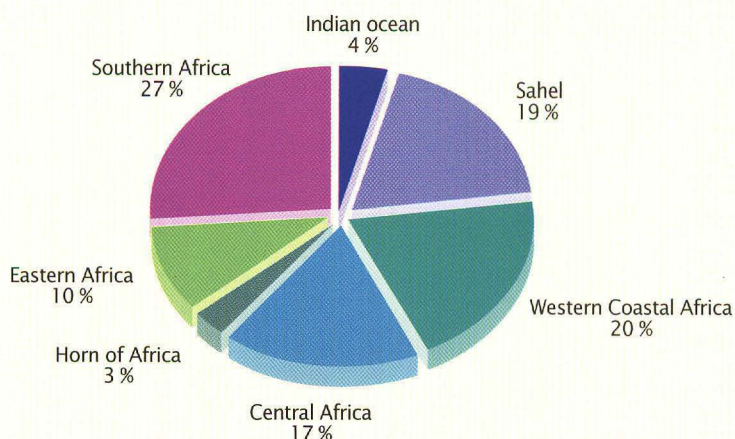
Percentage of Decisions by Sector in 1995



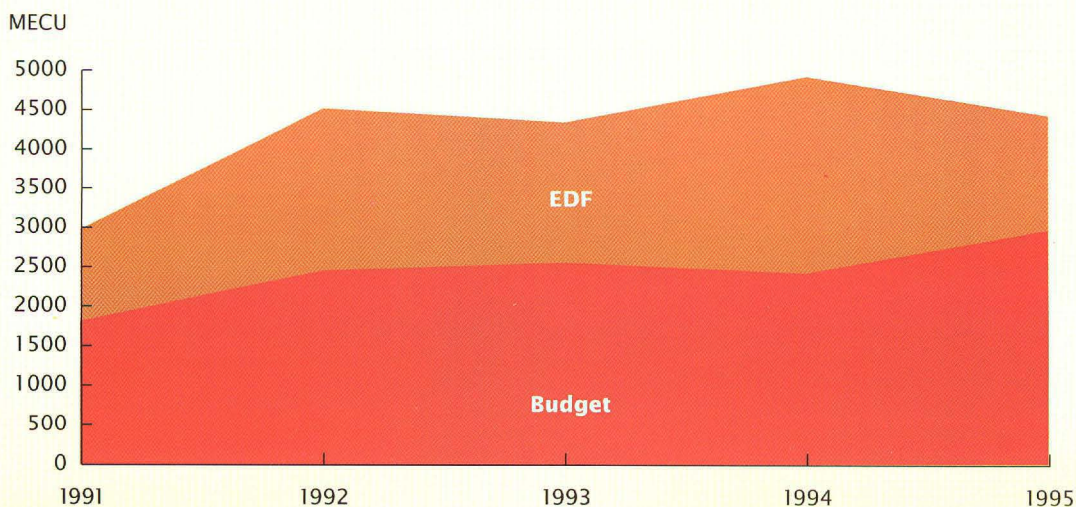
(1) In Table "Annual Breakdown of Aid by Sector (ACP and OCT)" please read :

- a) "Exceptional aid, Stabex" instead of "Emergency aid, Stabex" and
- b) "Production development" instead of "Rural development".

Percentage of Decisions by Geographical Region in 1995



Evolution of Decisions of Community Aid



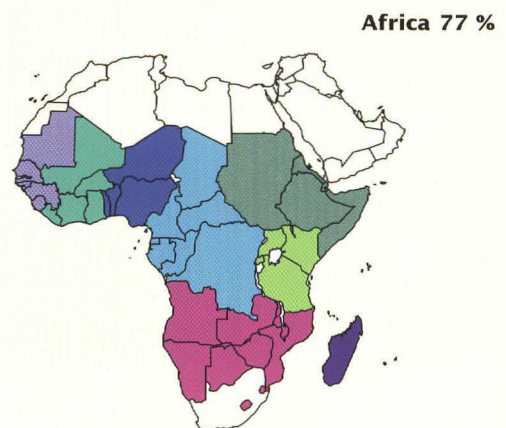
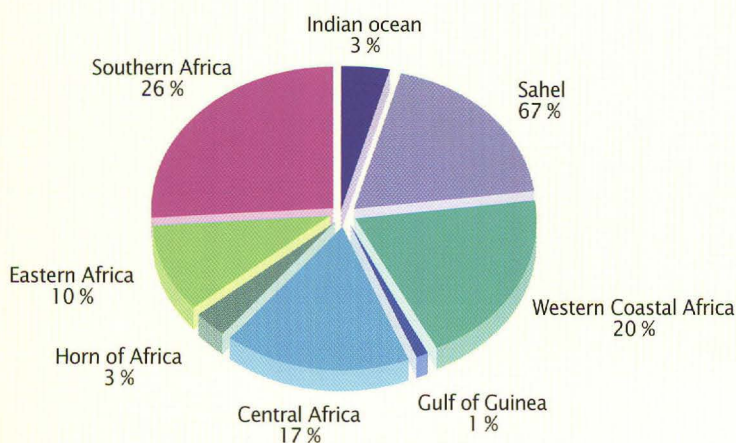
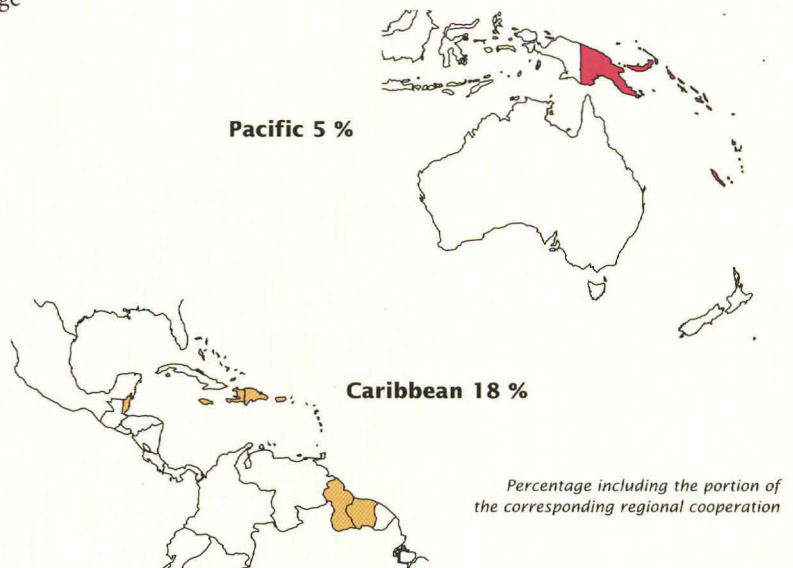
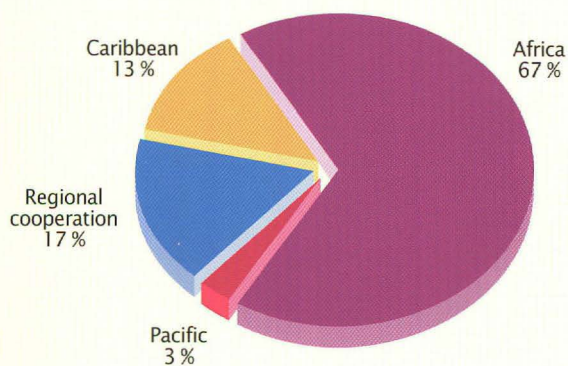
Annual Breakdown by Geographical Area

Region	1995			1994			1993		
	Decisions	Contracts	Payments	Dec.	Contr.	Pay.	Dec.	Contr.	Pay.
Sahel	193,88	213,61	155,14	129,19	147,71	181,41	172,40	168,25	127,66
Western Coastal Africa	209,58	190,12	182,27	325,88	228,93	237,41	211,92	181,58	202,86
Gulf of Guinea	-11,00	57,28	82,59	145,81	96,95	108,20	114,74	121,05	133,48
Central Africa	178,53	91,32	102,50	177,94	215,62	190,93	92,08	29,53	46,61
Horn of Africa	32,94	50,04	67,02	194,35	128,14	148,40	114,52	150,70	118,23
Eastern africa	104,45	203,14	210,04	355,28	178,00	186,52	179,06	182,51	148,05
Southern Africa	275,93	241,92	224,73	299,64	312,73	256,10	291,78	298,57	278,59
Indian Ocean	41,08	46,54	32,65	160,10	49,77	36,66	19,46	40,48	54,42
Total Africa	1025,39	1093,97	1056,94	1788,19	1357,85	1345,63	1195,96	1172,67	1109,90
Caribbean	192,71	177,58	186,77	136,85	171,30	91,34	180,49	71,97	62,55
Pacific	46,44	37,26	66,50	104,43	85,69	40,71	45,56	37,11	31,44
Regional Cooperation	255,55	286,90	253,47	451,06	356,47	303,63	209,19	180,31	149,45
TOTAL	1520,09	1595,71	1563,68	2480,53	1971,03	1781,31	1631,20	1462,06	1353,34

Percentage of Decisions by Geographical Region in 1995

The geographical breakdown of total aid to the ACP countries shows the substantial portion of aid allocated to Africa (67%). This percentage reaches 77% when the corresponding portion of the regional cooperation is added. All the same, the other large

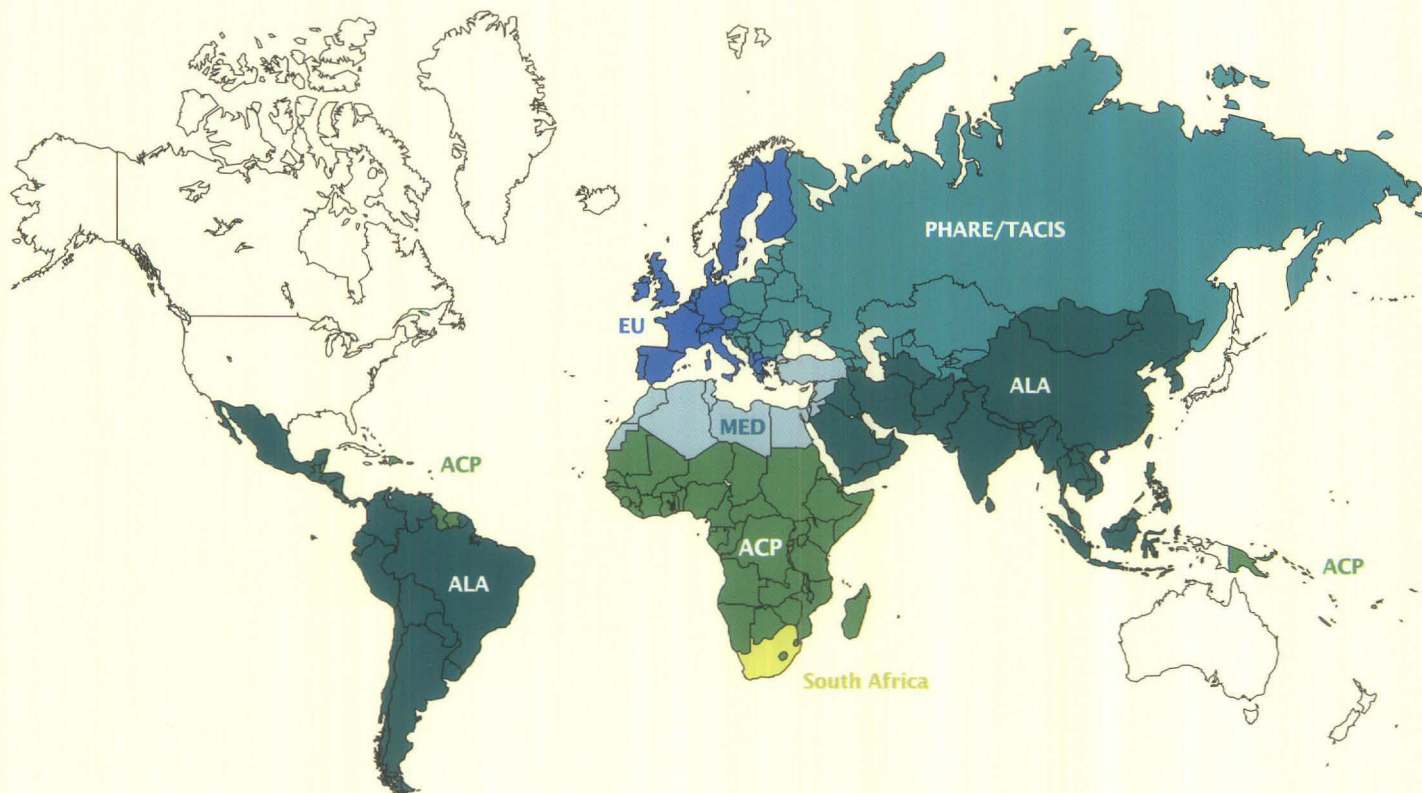
areas are not neglected and have correspondingly equally large financial volumes at their disposal; this also applies to the various sub-regions in Africa and in the Indian Ocean.



Evolution of Community Aid

The table below compares, by geographical zone, the evolution of decisions taken by the European Commission under the EDF and the General Community Budget in the sphere of cooperation with developing countries, from 1991 onwards. Also

included in this table are the data regarding the countries of Central and Eastern Europe as well as those of the Newly Independent States of the ex-USSR (PHARE/TACIS).



Decisions of Community Aid by Geographical Zone

Period 1991-1995

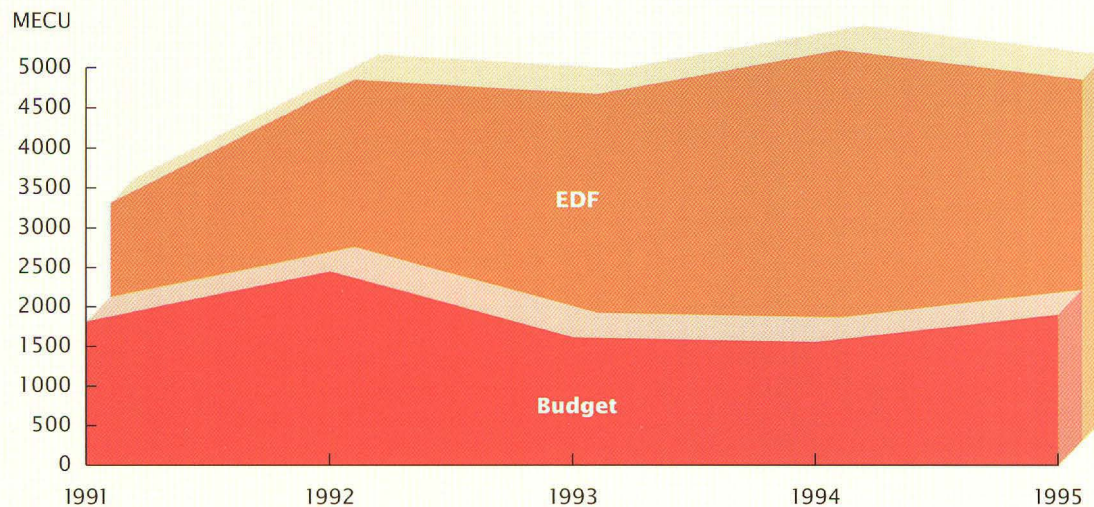
	1995		1994		1993		1992		1991	
	MECU	%	MECU	%	MECU	%	MECU	%	MECU	%
ALA	808	18,0	524	10,7	634	15,2	566	12,6	468	15,2
MED	491	10,9	436	8,9	399	9,6	412	9,1	111	3,6
PHARE/TACIS	1678	37,3	1466	29,9	1514	36,2	1465	32,5	1175	38,3
Sub-total (Budget)	2977	66,2	2426	49,4	2547	61,0	2443	54,2	1754	57,1
ACP-OCT (EDF)	1520	33,8	2480	50,6	1631	39,0	2062	45,8	1316	42,9
Total	4497	100,0	4906	100,0	4178	100,0	4505	100,0	3002	100,0
Others ⁶	2018		1937		1558		1302		1670	
GENERAL TOTAL	6515		6843		5736		5807		4740	

⁶The item "others" includes amongst others food aid, humanitarian aid and aid to NGO's (Non-Governmental Organisations), covering all four of the above geographical zones as well as South Africa. Indeed, having since 1986 supported the process of democratic transition in South Africa, The European Union in 1995 committed itself to the negotiation of a long-term framework of cooperation with this country. Decisions taken under the general Community Budget in favour of South Africa reached 90 MECU in 1993, 102 MECU in 1994 and 123 MECU in 1995.

Evolution of Decisions of Community Aid

In an analysis of aid activities financed through the General Budget, it can be seen that the PHARE-TACIS programmes, which started up following the fall of the Berlin Wall for the benefit of the countries of the ex-Soviet Union and of its satellites, reached their cruising speed only as from 1991. Similarly it can be seen that aid for this area did not marginalize that granted to the developing countries.

The ACP countries, for their part, despite variable performances, continue to represent, by geographical area, the primary recipient of the development aid set up by the Member States through the European Commission. The Lomé Convention, a unique partnership agreement between the North and the South, thus shows all its *raison d'être* by its capacity to adapt to the various situations encountered. In order to be even more effective it appeared nevertheless beneficial to revise it half-way.

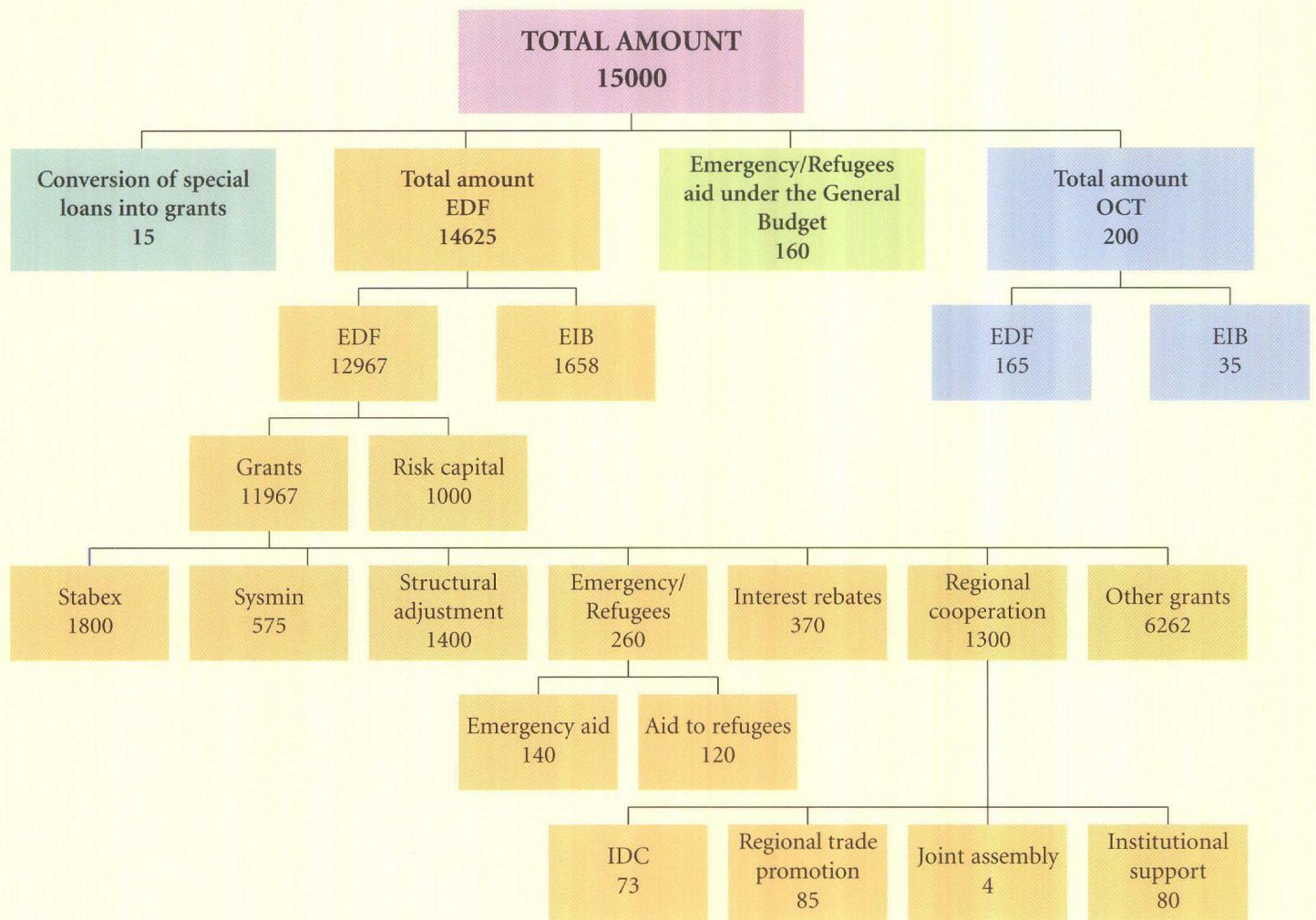


The Mid-Term Review of The Lomé IV Convention

Unlike previous ACP-EC Conventions that lasted five years, the fourth (signed in Lomé on 15 December 1989) was concluded for an overall period of ten years, starting on 1 March 1990. The Financial Protocol annexed to the Convention covered only the first five years, however, and had to be renewed for the second period. But the Lomé IV negotiators were anxious to maintain some degree of flexibility and made provision for a mid-term review. This revision process, undertaken for the first time, has made possible the necessary adjustments in view of changes that have taken place since the Convention was signed at the end of 1989 by:

- enhancing the political dimension of ACP-EC relations through an enlargement of the political dialogue and also, and above all, through the designation of human rights, democratic principles and the rule of law as essential elements.
- improving the effectiveness of cooperation by ensuring a larger coherence between the various instruments and the institution of a more flexible and performance-oriented approach to programming, which is the driving force behind financial assistance.
- redirecting the economic component of cooperation towards the private sector and efforts to make ACP products more competitive, which in itself is indicative of the new approach to trade lying at the heart of ACP-EC cooperation.

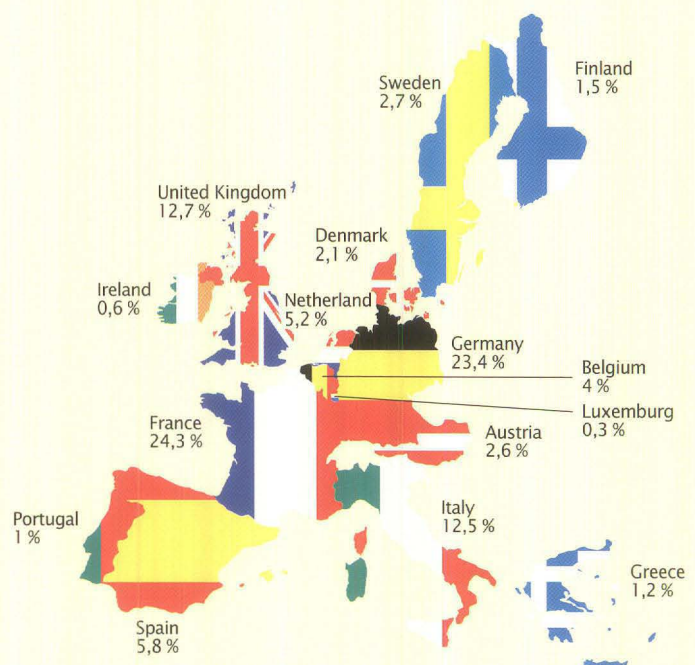
Financial Protocol 1995-2000



Financial Contributions to EDF 8 by Member State

These contributions will only be drawn down when the resources of the 7th EDF have been consumed

Countries	MECU
Austria	340
Belgium	503
Denmark	275
Finland	190
France	3120
Germany	3000
Greece	160
Ireland	80
Italy	1610
Luxemburg	37
Netherlands	670
Portugal	125
Spain	750
Sweden	350
United Kingdom	1630
TOTAL⁷	12840



⁷The financial envelope of the 8th EDF is 13.132 MECU's (12.967 MECU's for the ACP's and 165 MECU for the OCT's). To the Member State contributions (12.840 MECU), must be added 292 MECU of transfers from the 4th, 5th, 6th and 7th EDF, the usage of which seemed uncertain (Sudan, Somalia, etc...).

Official Development Assistance (ODA) of DAC⁸ Countries

The primary aim of the OECD (Organisation for Economic Co-operation and Development), established on 30 September 1961, is to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, to contribute to the sound economic expansion in Member as well as non-Member countries in the process of economic development, and to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations. In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee (DAC), whose members have agreed to secure an expansion of

aggregate volume of resources made available to developing countries and to improve their effectiveness.

Total flows (i.e., disbursements) of official development assistance from members of the Development Assistance Committee (DAC) to developing countries rose in 1994 to \$57.8 billion. EU Member State contributions were \$26.6 billion or 46% of total ODA flows. Included in this amount is \$4.8 billion of disbursements (8.35% of total ODA) which represents that portion of the EU Member States' total ODA channelled through the Commission in 1994, with \$2.2 billion of financing through the EDF and the remainder through Title B7 of the General Community Budget.

ODA Disbursements of DAC Countries

Period 1990-1994⁹ – in millions of US dollars

Country	Total ODA 1990	Total ODA 1991	Total ODA 1992	Total ODA 1993	Total ODA 1994	1994 ODA as a % of Total DAC	1994 ODA as a % of countries' GNP
Australia	955	1,050	1,011	953	1,087	1,88 %	0,38 %
Austria	394	543	531	544	561	0,97 %	0,29 %
Belgium	889	831	840	808	677	1,17 %	0,30 %
Canada	2,470	2,604	2,515	2,373	2,230	3,86 %	0,42 %
Denmark	1,171	1,200	1,392	1,340	1,450	2,51 %	1,03 %
Finland	846	930	644	355	289	0,50 %	0,31 %
France	6,874	7,386	8,162	7,915	8,447	14,63%	0,64 %
Germany	6,320	6,890	6,963	6,954	6,751	11,69%	0,33%
Ireland	57	72	70	81	105	0,18 %	0,24 %
Italy	3,395	3,347	4,122	3,043	1,967	3,41 %	0,20 %
Japan	9,054	10,945	11,119	11,259	13,238	22,92 %	0,29 %
Luxemburg	25	42	38	50	59	0,10 %	0,40 %
Netherlands	2,526	2,517	2,742	2,525	2,513	4,38 %	0,76 %
New Zealand	95	100	97	98	111	0,19%	0,24 %
Norway	1,205	1,178	1,226	1,014	1,137	1,97%	1,05 %
Portugal	148	213	302	246	250	0,43 %	0,28 %
Spain	965	1,262	1,518	1,213	1,247	2,16%	0,26%
Sweden	1,998	2,116	2,453	1,769	1,703	2,95%	0,90%
Switzerland	750	863	1,139	793	978	1,69%	0,36%
United Kingdom	2,630	3,184	3,153	2,908	3,085	5,34 %	0,30 %
United States	10,194	9,407	10,813	9,721	9,851	17,06%	0,15%
TOTAL DAC	52,961	56,680	60,850	55,962	57,754	100,00 %	0,29 %
Memo:							
EU Countries ¹⁰	25,000	26,944	29,302	27,083	26,569	46,00 %	0,40 %
of which EC ¹¹	3,028	3,818	4,461	3,948	4,825	8,35 %	

In 1994 Japan consolidated its position as the largest donor of ODA (\$13.2 billion), followed by the United States (\$9.9 billion), France (\$8.4 billion) and Germany (\$6.8 billion). The EC with its ODA programme of \$4.8 billion ranks 5th amongst the DAC members.

Several DAC countries, notably Belgium, Finland and Italy, saw their ODA programmes sharply reduced in 1994, generally because of overall public expenditure reductions.

⁸DAC: Development Assistance Committee.

⁹The numbers for 1995 are not yet available.

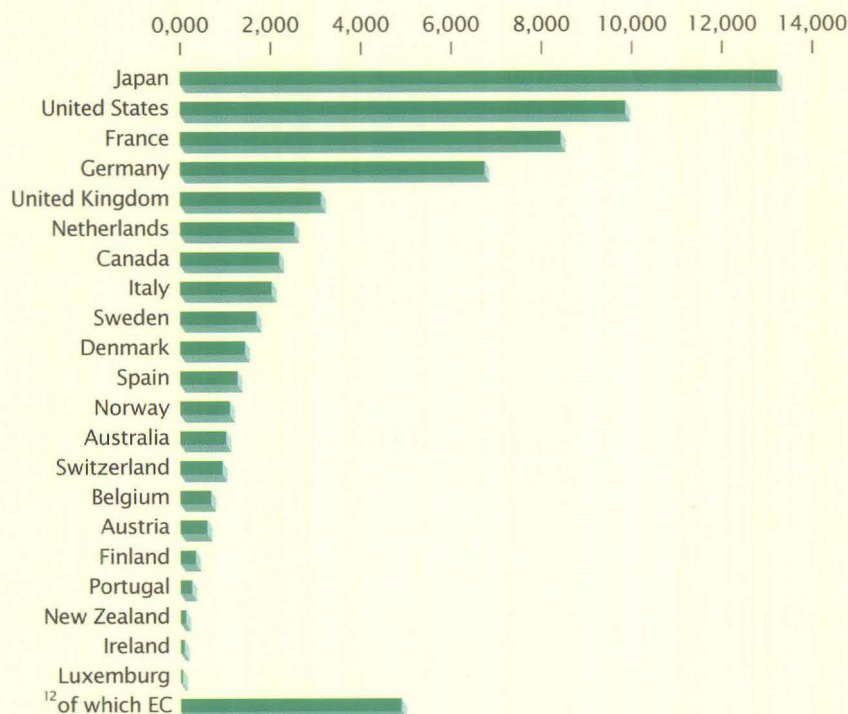
¹⁰Total of the EU countries at end 1994 (excluding Austria, Finland and Sweden), excluding Greece who is not yet a member of the DAC.

¹¹i.e. that portion of EU Member States' total ODA channelled through the Commission (EDF and General Community Budget), included above.



ODA in 1994

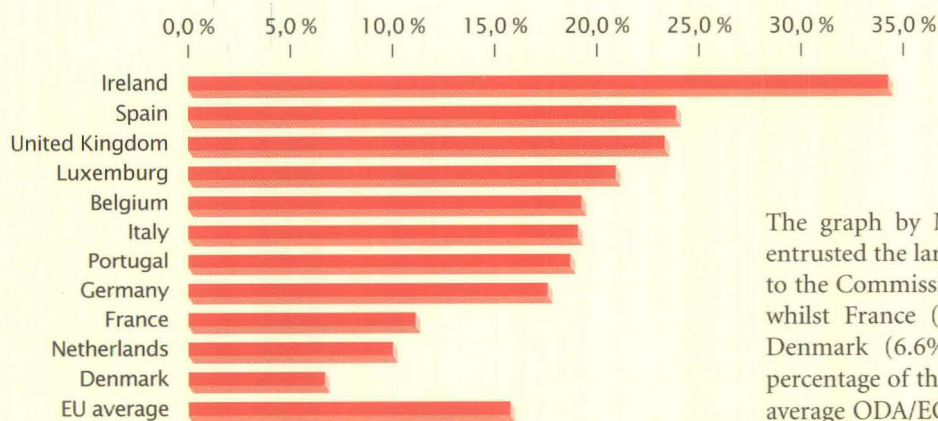
In billions of US dollars



¹²i.e. that portion of EU Members States' total ODA channelled through the Commission (EDF and General Community Budget), included above.

ODA Contributions to the EC as a Share of EU Members' Total ODA

1991-1994 average



The graph by Member State shows that Ireland has entrusted the largest percentage of its ODA programme to the Commission (34.3%) during the past four years, whilst France (11.1%), the Netherlands (9.9%) and Denmark (6.6%) have contributed a relatively low percentage of their total ODA to the EC. The combined average ODA/EC ratio of all Member States as a group was 15.7% for the 1991 to 1994 period.

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Luxembourg: Office for Official Publications of the European Communities, 1996

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